

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1352 – SB 1348

April 18, 2017

SUMMARY OF ORIGINAL BILL: Requires local agencies transferring up to 50 percent of its state-aid road funds to its state off-system bridge replacement program to notify the Department of Transportation (TDOT) electronically, or in writing, at least 30 days prior to such transfer.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (007563): Deletes all language after the enacting clause. Authorizes the State Treasurer to invest funds in the Tennessee Transportation State Infrastructure Fund (TTSIF) pursuant to an investment policy approved by the State Funding Board. Expresses legislative intent that new commitments made from such fund shall not exceed appropriations made to the fund and that the fund be managed in each fiscal year such that actual expenditures and obligations to be recognized at the end of the fiscal year shall not exceed any available reserves and appropriations of the fund. Prohibits the TTSIF from being derived from any revenues otherwise allocated by law to the state Highway Fund or otherwise allocated to and deposited in the Transportation Equity Trust Fund.

Authorizes the Tennessee Local Development Authority (TLDA) to consider partial grants, lower or zero percent interest rates for loans. Requires the TLDA to consider economic development goals and utilize an economic index based upon factors such as per capita incomes and property values of the qualified borrower, as part of such consideration. Establishes that qualified borrowers falling within the lower economic scale on the index are eligible for partial grants, lower or zero percent interest rates for loans.

Requires any qualified project under the TTSIF to be maintained by the government unit that owns the qualified project. Requires the TLDA to submit an annual report on its activities following the close of each state fiscal year to the State Treasurer, the State Comptroller, the Office of Legislative Budget Analysis, and the Secretary of State, in addition to already specified state entities. Such report shall include: the total amount of funds available in the TTSIF on July 1 of the fiscal year; the amount of funds approved for each project under development and not yet complete in the fiscal year; a description of each project approved and the status of each project; and the total unobligated appropriation on June 30 of the fiscal year.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – A potential permissive increase in local government revenue from receipt of grants or loans; a potential increase in local expenditures for funding various projects; and a potential permissive decrease in local government expenditures from paying a reduced rate of interest.

The potential impacts to the Tennessee Transportation State Infrastructure Fund (TTSIF) are increases in revenue derived from investment earnings and decreases in revenue from receipt of reduced loan interest earnings. The extent and timing of any net impacts to local governments or to the TTSIF cannot be determined with reasonable certainty because such impacts are dependent upon multiple unknown factors.

Assumptions for the bill as amended:

- The TLDA administers the TTSIF program and considers approval of local government loans based on the Department of Transportation (TDOT) recommendations; after such recommendation, the Office of State and Local Finance administers the loan program in conjunction with TDOT.
- According to TDOT, the Department transferred \$2,189,709 to TTSIF from the State Infrastructure Bank Fund in FY09-10. No funding from the Highway Fund or the Transportation Equity Trust Fund has been transferred to TTSIF or is currently planned to be transferred in future years. In addition, no additional funding from other sources has been appropriated to TTSIF in years subsequent to FY09-10.
- Based on the information provided by COT, approval was granted for a loan to the City of Lakeland in the amount of \$1,750,000 in 2010. The TLDA currently charges 12 basis points of the outstanding loan balance for administration fees.
- The proposed bill as amended would authorize TLDA to issue partial grants and loans with lower or zero interest rates. To the extent that such loans are issued as a direct result of this bill as amended (that would not be issued under current law), there would be a permissive increase in local revenue, a permissive increase in local expenditures for qualified projects, and a permissive decrease in local expenditures related to lower or zero interest payments. The net impact on TTSIF revenue and expenditures would be not significant as such loans would not be issued under current law and the loan principal with lower or zero interest would be repaid by local governments.
- To the extent a loan would be issued under current law but will be issued with lower or zero interest rates as a result of this bill as amended, there would be a decrease in local government expenditures associated with lower or zero interest payments, and a decrease in revenue to the TTSIF associated with such payments.
- Authorizing the State Treasurer to invest TTSIF funding could result in an unknown increase in revenue to the TTSIF.
- It is assumed that TLDA will not make commitments from TTSIF that would exceed funding available in the TTSIF.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee" followed by "RNC" in smaller letters.

Krista M. Lee, Executive Director

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